

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1699 – HB 1538

April 2, 2014

**SUMMARY OF ORIGINAL BILL:** Prohibits electronic cash dispensing devices in certain businesses and establishments from accepting the electronic benefit transfer (EBT) cards by temporary assistance for needy families (TANF) recipients.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Exceeds \$400,000

Increase State Expenditures - \$528,300/Recurring  
\$7,000/One-Time

Other Fiscal Impact – If the state is determined to be noncompliant with federal regulations, the state could be assessed a penalty by the federal Department of Health and Human Services. It is assumed that any penalty assessed will be at least five percent of the TANF Block Grant. In FY12-13, a five percent penalty would equal \$9,576,200.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Expenditures – Exceeds \$400,000

Other Commerce Impact – If the federal government imposes a penalty on the state, the result will be less funding to TANF recipients which in turn will result in less money introduced into the state's economy.

**SUMMARY OF AMENDMENT (014762):** Deletes all language after the enacting clause. Effective July 1, 2015, expands the list of places that a TANF recipient cannot knowingly use an EBT card to include professional bondsman businesses, tattoo studios, and body piercing establishments.

Requires the Department of Human Services (DHS) to conduct a study to determine ways to improve integrity of the EBT program by use of enforcement procedures, monitoring techniques or technologies to ensure that public assistance benefits are properly used. The study must be completed and the results reported to the Senate Commerce and Labor Committee and the House Health Committee by January 15, 2016.

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Earmarks any funds recovered from civil penalties against a person or business in violation to the Department of Human Services instead of the General Fund.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

### **NOT SIGNIFICANT**

Assumptions for the bill as amended:

- Due to recent legislation, DHS has implemented new procedures in conducting investigations regarding business that may have violated Public Law 112-96 (Middle Class Tax Relief Act) and also quarterly procedures as required by state law. While quarterly procedures will not go into effect until July 1, 2014, the department is currently completing pre-emptive measures which include monitoring all businesses currently included in the state law and all EBT card transactions within those establishments. The department is also currently notifying businesses and cardholders of the penalties that will be assessed July 1, 2014.
- The bill as amended will not significantly increase the overall number of businesses that will be monitored by DHS and the monitoring will be phased in; therefore, any increase in regulatory and oversight expenditures will not be significant and can be accommodated within existing resources.
- Any necessary program and systems changes will be completed in time to meet the July 1, 2015 effective date of the proposed legislation. The department can incorporate the necessary changes that are a result of the proposed legislation into the planned systems changes without a significant increase in expenditures.
- DHS will not incur a significant increase in expenditures to complete the mandated study and report the findings by January 15, 2016. Any increase in expenditures can be accommodated within existing resources.
- To date, no civil penalties have been assessed. By earmarking any revenue collected from civil penalties to DHS instead of the funds being deposited into the general fund there will be a shift of future revenue to the general fund and revenue recognition to DHS. The amount of revenue cannot be quantified, but due to the low number of businesses that will be affected, the net impact is estimated to be not significant. Any shift in revenue would occur in FY15-16.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

### **NOT SIGNIFICANT**

Assumptions for the bill as amended:

- If individuals who purchase goods with EBT cash transactions choose to shop in different establishments due to the provisions of the legislation, there could be a negative impact to the revenues of the establishments that will no longer receive the business.
- The establishments that have electronic cash dispensing devices that do not have to disable access to EBT transactions may gain business and therefore incur a positive impact in revenue.
- The net impact to commerce and jobs is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/kml